

Opening Statement of Senator Susan M. Collins

**Iran Sanctions: Why Does the U.S. Government Do Business with Companies
Doing Business in Iran?**

Committee on Homeland Security and Governmental Affairs

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We are at a critical juncture in our efforts to prevent Iran from obtaining nuclear weapons, a capability that threatens the stability of the region and, indeed, the world. The conference committee on the comprehensive Iran sanctions bill is now underway, and I commend the Chairman for his leadership on that legislation and for holding this oversight hearing.

I am deeply troubled by recent reports in *The New York Times* and by the Government Accountability Office (GAO) that the United States government continues to do business with companies that are, at least indirectly, aiding and abetting Iran's nuclear program by investing in the Iranian economy. GAO's report that the U.S. government entered into almost \$880 million in contracts with seven foreign firms that had investments in Iran's energy sector is extremely troubling. Obviously, this practice goes against our own national security interests.

The GAO report exposes evidence of potentially serious violations of our current sanctions regime. In light of this alarming information, we not only need to pursue rigorous enforcement of our current laws but also to strengthen our sanctions against Iran. Congress can assist by completing conference negotiations on the Iran Sanctions Act. But, the State Department can immediately improve our efforts simply by enforcing current law.

Unfortunately, this lack of enforcement is not a new problem. As far back as 1996 when the Iran Sanctions Act first became law, Congress has attempted to extinguish investment in Iran's energy sector. Yet, despite clear evidence of violations of that law, not a single company has been sanctioned. In fact, many of the corporations that have reportedly done business with Iran have received federal contracts or other benefits from our government.

The failure to enforce the law has sent a signal to the Iranian leadership that we may be less than determined to bring their nuclear program to a halt. Continuing lack of enforcement may undermine our

credibility as we seek tougher international sanctions. And, most important, Iran has seized on our leniency by continuing to enhance its nuclear weapons capability.

While the federal government continues to send mixed messages, many States have taken more forceful action. In 2007, Florida became the first state to divest its pension funds from companies doing business with Iran and Sudan. Many other states have adopted similar divestment measures or have imposed procurement restrictions on companies doing business in Iran. For example, Illinois requires state contractors to disclose in each bid whether or not they are engaged in operations in Iran's energy sector.

The federal government requires contractors to certify that they do not conduct prohibited business operations with Sudan. Unfortunately, no similar requirement is in place for contractors doing business with Iran. At a minimum, the federal government should impose this requirement on its contractors.

I have repeatedly expressed my concern about the federal government's inconsistent actions to enforce and strengthen our sanctions against Iran. Along with our allies, our nation must be prepared to impose strong sanctions against Iran if the U.N. Security Council fails to implement tough and effective measures. But sanctions lack teeth if they are not enforced. Mere threats will not prevent companies, including government contractors, from doing business with the Iranian regime.

In light of the danger posed by the Iranian nuclear threat, we must take every possible economic, political, and diplomatic measure to demonstrate to Iran's leaders that the price for its nuclear program has become too high.

As we consider broader sanctions to deter the nuclear threat posed by Iran, I am reminded of the suffering endured by the 66 American hostages seized by the Iranian Revolutionary Guard and other militants in November 1979. These Americans were held against their will for 444 days. To date, they have received absolutely no compensation from the Iranian government for the brutality they experienced. One of those hostages - Moorhead Kennedy who lives in Maine - is with us today. I am pleased that Mr. Kennedy could join us. His presence reminds us that these Americans continue to be denied justice from the Iranian regime, despite the intent of Congress.

I look forward to discussing these critical issues with our witnesses.